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C O N F I D E N T I A L SEOUL 002728

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SUBJECT: AMBASSADOR MEETS WITH PROF. MOON CHUNG-IN, GNP
LAWMAKER WON HEE-RYONG

Classified By: Amb. Alexander Vershbow. Reasons 1.4 (b,d).

¶1. (C) SUMMARY: The Ambassador discussed the latest developments in the Six-Party Talks, the upcoming North-South summit and ROK's December presidential elections with Yonsei Political Science Professor Moon Chung-in and GNP Lawmaker Won Hee-ryong. Over a relaxed lunch, Moon explained that President Roh would emphasize the economy in the scheduled October 2-4 summit in Pyongyang, but would also make a strong case for denuclearization to the DPRK's Leader Kim Jong-il. Moon, a professor and close Roh advisor, said that Roh felt the NLL (Northern Limit Line) could be discussed at the summit since it was not a sovereignty or military issue, but simply an issue for the Fisheries and Wildlife Ministers to work out so the two Koreas could share fishing grounds in the West Sea. Moon emphasized that transformation and change were two words that the DPRK did not like, but stated that projects like the Kaesong Industrial Complex (KIC) did change North Korean society. Moon noted that when he was last in Pyongyang in May, DPRK military representatives whom he met were suspicious of President Bush's will to normalize relations with the North; Moon urged that the U.S. reestablish direct dialogue with the North Korean military in the coming months since the military (not KJI) was the main obstacle to denuclearization. On domestic politics, Won, who placed third in the recently concluded GNP primary, said that, "nobody was interested in the fall National Assembly session," adding that the KORUS FTA would likely not be addressed in 2007 because of the upcoming presidential election. The Ambassador explained that if Korea ratified the FTA this fall, it could help the ratification process in the U.S. Congress. Won said that the mudslinging of the GNP primary would be worse in October and November, when government-controlled TV stations would air multiple investigative programs on Lee Myung-bak's past real estate scandals. While Won thought Lee would win in December, Moon was skeptical and said the former Yuhua-Kimberly CEO Moon Kuk-hyun could emerge as the most viable non-GNP candidate and challenge Lee Myung-bak as well as the ruling party candidate. END SUMMARY.

INTER-KOREAN SUMMIT

¶2. (C) Over a September 4 lunch, Yonsei Professor Moon Chung-in, a close Roh advisor and noted scholar, told the Ambassador that President Roh was struggling with the reality that he could not pledge more aid to the DPRK during the

scheduled October 2-4 North-South summit. Moon noted that since the ROK was chair of the Six-Party Talks' Energy and Economic Assistance Working Group, Roh understood the ROK could not unilaterally give too much aid to the North. Moon said he would attend the summit and there would also be a delegation of 35 business people, professors and advisors who would accompany President Roh to Pyongyang. (Moon said he would be the only one who attended both the 2000 summit and the 2007 summit.) The business leaders would tell their North Korean counterparts that if the DPRK cooperated on denuclearization, there would be many lucrative business opportunities. Moon assured the Ambassador that Roh would press the denuclearization principle, but noted that the main emphasis of the summit would be the economy. The Ambassador said that it would be helpful if DPRK Leader Kim Jong-il publicly endorsed the principles agreed upon in the September 19, 2005 Joint Statement. Moon agreed, but said that a statement was just words -- obtaining the DPRK's commitment to the denuclearization process was most important.

¶3. (C) Moon noted the North Koreans did not use the word "agenda" but rather "items of interest," as they do not know when or if Kim Jong-il would appear and what subjects would be discussed at any particular meeting. Moon said it was unclear whether there would be one-on-one meetings between Roh and Kim or if concerned ministers would join the meetings. Moon said it was likely Kim would call in a variety of aides one at a time to match the topic of discussion.

NLL

¶4. (C) Moon said the NLL (Northern Limit Line) issue should not be considered a military or sovereignty issue since that would be an acknowledgement of perpetual division of the Peninsula. Instead, the NLL was simply a fisheries issue and, while complicated, could be solved by the two Fisheries Ministers so that both North and South Korean boats could fish in the West Sea. This issue was pressing, Moon said, since PRC fishing vessels were already encroaching in West Sea fishing grounds.

FINANCIAL TIMES

¶5. (C) The Ambassador cited a recent "Financial Times" article claimed the ROK, in engaging with North Korea, did little to change or transform the DPRK. Moon dismissed this article, noting that reporters could say what they wanted, but the ROKG was not "stupid" and the engagement policy was definitely changing North Korea. While the words "transform" and "change" were anathema to North Koreans, change was occurring thanks to the Kaesong Industrial Complex (KIC), other ROK projects and continued PRC business involvement in the North. Moon noted that on his sixth visit to Pyongyang in May 2007, he visited a business fair where 80 percent of the merchants were representing PRC interests. Also, on visits to several factories, he said that most of the machinery he saw was from China and the remainder from Taiwan. Also for the first time he saw slogans that lauded competition. They said "Be faithful to socialist competition." Moon concluded that North Korea was changing quickly and would continue to open its economy and society.

INVESTMENT

¶6. (C) The Ambassador suggested that ROK companies could invest in joint ventures outside of KIC to teach North Koreans better business practices as some Chinese firms already were doing. Moon said ROK companies were welcome to do so, but they considered it too risky so had not yet begun to invest outside of the KIC. A message that South Korean business leaders could bring to the summit was that a legal

system and transparency in business practices was essential to attract foreign investment, the Ambassador said. Moon agreed and said representatives from the major ROK chaebol (Hyundai, Samsung, LG, SK, etc.) would look to press this and other messages to the North Koreans during the summit.

OUTLOOK FOR DENUCLEARIZATION

¶7. (C) Moon told the Ambassador that Kim Jong-il was hostage to his military-first policy. Therefore, complete, verifiable and irreversible dismantlement would be difficult for North Korea. Recalling the 2000 visit to Washington by DPRK General Cho Myong-rok, Moon suggested the U.S. talk directly with DPRK military leadership to help reassure them of USG intentions. For example, meetings between DPRK military and PACOM officers could help the DPRK military step back from its hard-line stance.

NIS IN AFGHANISTAN

¶8. (C) Moon said the Blue House had instructed NIS Director Kim Man-bok to appear only in silhouette when describing the role the NIS played in securing the release of the Korean hostages from Afghanistan. However, because Kim hoped to improve the image of the NIS and to run for the National Assembly in April 2008, Kim came out in the press extolling the role he and the NIS played in the hostages' release. While this was a mistake on Kim's part, Moon said, it may improve the NIS's image in Korea.

PRESIDENTIAL ELECTION

¶9. (C) GNP Representative Won Hee-ryong, invited by Moon to join the lunch, said that the December 19 presidential election will be the issue for the fall and the National Assembly (NA) would stop work in mid-November. (NOTE: Normally, the NA is in session until the end of the year. END NOTE) Because of the limited time to deal with important bills and the upcoming election, the KORUS FTA was likely not to be ratified in 2007. In response to the Ambassador's query, Moon said the NA plan to examine Lee Myung-bak's background during the fall session was reasonable and not an overreach of legislative privilege. Won said that in October and November, several exposés would come out on Lee's past real estate dealings. Moon noted that while the main newspapers were favorable to Lee (Chosun, Joongang, Dong-a), the state-run KBS and MBC TV stations held the most sway over voters and could influence the election by exposing problems from Lee's past.

PROGRESSIVE CAMP

¶10. (C) Won, who came in third in the August 19-20 GNP primary, said that each of the three main UNDP candidates had fatal flaws. Former Gyeonggi Governor Sohn Hak-kyu claimed he could beat Lee Myung-bak, but he already failed to do that inside the GNP (NOTE: Sohn left the GNP in March 2007 trailing both Lee and Park Geun-hye. END NOTE). Former PM Lee Hae-chan has an unfavorable image and strikes people as arrogant, Won said. While most admit Lee is well-qualified, Lee's claims that he would do better than Roh fall flat since he was a main architect of the Roh administration's policies. Former Unification Minister Chung Dong-young had the same flaw as Lee -- he was too closely associated with the failures of the Roh administration. Therefore, former Yuhan-Kimberly CEO and independent presidential candidate Moon Kuk-hyun's biggest strength is his lack of connection to President Roh. Won and Moon said Moon had a chance, but his August 23 announcement of his candidacy was possibly too late

and he lacked a well-established, professional organization to support his candidacy.

¶11. (C) Professor Moon said that Rhee In-jae was likely to win the Democratic Party (DP) candidacy. He thought the next president would not come from either of the traditional regional bases of Gyeongsang or Jeolla provinces. He also said that Moon Kuk-hyun, from Seoul, fit the bill as a potential candidate and noted that there might be a repeat of 2002, with the UNDP candidate, the DP candidate and Moon making a pact in mid-November. (NOTE: Roh Moo-hyun and independent candidate Chung Mong-joon joined forces in November 2002 as a result of a phone poll. END NOTE) While the fact that Moon did not lay off one worker after the 1997-8 Asian financial crisis was moving, Won noted that Moon's image was too elite to capture wide public support. Professor Moon stated that CEO Moon was naturally conservative; apart from his belief in corporate transparency, the environment and job creation, his policy stances were flexible.

GNP IN DRIVER'S SEAT

¶12. (C) Won explained that the GNP was in a good position to win back the Blue House in December since Jeolla, which voted 91 percent for Roh in 2002, was not united and would likely not unite in this election behind the liberal candidate to such an overwhelming degree. It would also likely be difficult for any UNDP candidate to win 30 percent of the vote in the Gyeongsang provinces as did Roh, who hails from Busan. Roh won 70 percent of the Chungcheong Province votes in 2002 behind his pledge to move the capital from Seoul to the region; but this year, there will likely be no uniting issue to deliver such a margin to the non-GNP candidate in Chungcheong. Also, while Moon's CEO experience was impressive, it paled in comparison to Lee's experience as former CEO of Hyundai.

VERSHBOW